GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1944
ANSWERED ON:05.08.2005
CEILING ON BANK DIVIDEND
Patil Shri Balasaheb Vikhe

Will the Minister of FINANCE be pleased to state:

(a) whether the RBI has raised the ceiling on bank dividend payment ratio to 40 percent;

(b) if so, the details thereof;

(c) whether the RBI has developed any mechanism to ensure that their increase is not misused by the banks; and

(d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) & (b) Reserve Bank of India has issued guidelines on 4th May, 2005 raising the dividend payout ratio to 40% for banks which comply with the minimum prudential requirements i.e. CRAR, Net NPA, provisions of Section 15 & 17 of Banking Regulation Act, 1949 etc. These guidelines are available at RBI website www.rbi.org.in.

(c) & (d) : RBI has prescribed a reporting system whereby all banks declaring dividend are required to report, in the prescribed proforma, details of dividend declared during the accounting year within a fortnight of such declaration.